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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION
OF UNS GAS, INC. FOR THE ESTABLISH-
MENT OF JUST AND REASONABLE RATES
AND CHARGES DESIGNED TO
REALIZE A REASONABLE RATE OF
RETURN ON THE FAIR VALUE OF THE
PROPERTIES OF UNS GAS, INC.
DEVOTED TO ITS OPERATIONS
THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. G-04204A-08-0571

Arizona Corporation Commission

DOCKETED

JUN - 8 2009

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DIRECT TESTIMONY OF CYNTHIA ZWICK

JUNE 3, 2009

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State your name and address.

My name is Cynthia Zwick and my address is 1940 E. Luke Avenue, Phoenix, AZ 85016.

Q. What is the purpose of your testimony?

A. I am testifying for several purposes: 1) to request that the Commission hold low-income customers harmless in this rate case, both in the CARES program and within the purchased gas adjustor; 2) to modify the CARES, Warm Spirits and weatherization program language to track the federal LIHEAP and weatherization eligibility language; 3) to increase the Company's outreach and enrollment efforts in the low income discount program, which would include the requirement that the Company automatically enroll LIHEAP and weatherization eligible customers in the CARES discount program; 4) exempt CARES customers from Rule/Regulation, Section No. 3, Establishment of Service, B. Deposits, 5.; 5) to increase the Company's support of the Warm Spirits and Low-Income Weatherization programs; and 6) to request the Commission require the Company to cease the referral of customers to payday lending institutions.

Q. What is your experience with low-income issues?

A. I am employed as a low-income advocate, a position I have held since 2003, and have intervened in a number of rate cases in order to ensure that the interests and impact of rate increases on the low-income community are heard, understood and appreciated.

Q. Would you please describe the low-income community in Arizona?

A. I recently filed testimony in another rate case, and will provide a similar answer, as the economic situation has not improved over the past year. A year or two ago my answer would have been very different than it is today, however, the definition of a person living in poverty is an individual earning \$10,400 or less annually, or a family of four earning \$21,200 or less annually. For purposes of this

testimony I will be referencing families living at 150% of poverty, because the Company's programs assisting low-income families have established this baseline eligibility, though this level of eligibility is now changing to 200% of poverty as the standard within the federal program guidelines.

According to the 2007 US Census Bureau data, in Arizona today, there are 858,973 individuals living at 100% of poverty or below, or 14.2% of the total Arizona population. At 150% of poverty, there are approximately 1,083,801 individuals or 17% of the population.

The reason I indicate that my answer would have been different a year or so ago is that due to the failing economy, the number of families that are finding themselves in need of assistance is growing daily and substantially, and the face of poverty is changing in Arizona. Agencies throughout the state are seeing an increase in the numbers and demographics of the families (more and more are families seeking assistance for the first time.)

Q. What is the extent of poverty in the Unisource Gas service territory?

A. According to the 2007 census, there were 6,100,000 people living in Arizona, 1,083,801 of which were living at 150% of the federal poverty level. By UNS Gas service territory and by county these numbers break down as follows:

<u>County</u>	<u>No. of People at 150% FPL</u>	<u>No. of People at 200% FPL</u>
Coconino	33,219	44,307
Mohave	39,734	59,245
Navajo	41,418	52,596
Santa Cruz	15,668	20,752
Yavapai	37,124	55,722

Q. Would you explain the impact the current Arizona economy is having on our community and therefore on the UNS Gas rate payer?

A. There continue to be new reports in the local and national media every day articulating the depth and breadth of the problems related to a failing State and Federal economy.

The *Arizona Republic* reported Saturday, June 6, 2009 that the national unemployment rate in May was 9.4%, up from 8.9% in April, and is the highest rate in 25 years.ⁱ According to the Arizona Department of Commerce website (www.workforceaz.gov) unemployment in Arizona continues to climb. In September 2007 the Arizona unemployment rate was 3.7%. In October 2008, the rate was 6.1%, and in May 2009 the rate has reached 7.7%. In the Prescott area the rate is even higher at 8.8%, and in the Lake Havasu, Kingman region, the rate is 9.6%. Since the recession began in December 2007, Arizona has lost 233,400 jobs, 183,100 since March.ⁱⁱ

At the end of 2008, one in five Arizonans lacked health insurance coverage for at least some portion of 2008. For working adults between the ages of 18 and 64 the number increases to 25%.ⁱⁱⁱ

During state fiscal year 2009, enrollment in the Arizona Health Care Cost Containment System (AHCCCS) has grown by an estimated 120,000 members, with more than 40% of enrollment occurring in the last 60 days.^{iv}

According to the US Conference of Mayors 2008 Status Report on Hunger and Homelessness, during the last year the number of requests for food assistance in Arizona has increased 35%.^v The Food Research and Action Center reports that food insecurity or the inability to provide sufficient amounts of food for your family,

was 12% in Arizona on average, between 2005-2007 (18th in the Country), with very low food security at 4.6% (14th in the Country).^{vi}

Utilities in Arizona are also seeing an increase in the number of customers seeking assistance, as well as the number of customers being disconnected. The Community Action Agencies which provide direct bill assistance support to households throughout the State are seeing increases as high as 60% in the number of families seeking assistance. One Community Action Agency in the UNS Gas service territory reports a 40% increase in the number of customers served with bill assistance from 2008 to 2009. The same agency reports that the average gas bill presented by clients ranged from \$150-200 in 2008 and has gone up to \$250-400 with past due bills of \$800 being presented in 2008.^{vii}

The increase in need and the increase in requests for assistance is consistent among all agencies providing bill assistance throughout Arizona. The need far exceeds available resources.

Q. Arizona has received additional LIHEAP funding. Will that take care of the need for assistance for these families?

A. No, unfortunately it will not. During federal fiscal year 2008, Arizona received a total of \$6.1 million dollars in LIHEAP funding. In November, 2008 we received notice that Arizona would be receiving \$31 million in federal LIHEAP dollars. Arizona continues to be the least funded per capita of any state in the country, including the District of Columbia, so even though we received a significant increase in funding, out of an eligible population of approximately 500,000 households, agencies anticipate being able to serve an additional 50,000 households for a total number of households served of 78,000. This represents an ability to serve approximately 16% of the eligible households.

Finally, throughout Arizona, the increased number of calls and the increased number of families seeking assistance has changed. While there is a certain

demographic that needs support on an ongoing basis, the very low income community, the new demand has been created by families who for the first time in their lives are seeking help. The majority of the increase in calls and requests for help are coming from families who have never asked for or received assistance before. Due to circumstances in their lives, losing their jobs, losing their homes, experiencing an illness in their family without adequate insurance coverage along with the rising cost of services, more families have been forced to seek help in order to feed their families, and otherwise make ends meet.

Q. What is your specific request related to rates for customers either eligible for or enrolled in the CARES discount program?

A. Very simply, I am requesting that the Commission hold current and future enrolled CARES customers harmless from any increase in this rate case, both from an increase in the CARES discount, and from any increase in the per therm rate paid, as well as held harmless from any increase in the purchased gas adjuster. Low-income families cannot pay their bills today, and the need for help and the number of families in trouble is continuing to grow.

Q. Are there additional options for serving the growing need among UNS Gas customers?

A. Yes. When the State received the additional LIHEAP funding, the community action agencies and State Department of Economic Security staff, agreed to increase the eligibility for these funds to 200% of poverty from 150% of poverty. This was done to be able to serve more families in need of assistance but who would be turned away if they did not meet the lower income threshold. This was also done in order to respond to the significantly increased need being experienced throughout Arizona, and is consistent with federal legislation. I respectfully request that the CARES program eligibility, as well as the Warm Spirits and weatherization funding track the LIHEAP eligibility language so that as the need increases and funding is available, more families may receive the help they so desperately need.

Q. What specific language are you requesting?

A. The language in each program or rate would simply state, "customers meeting the LIHEAP program income eligibility are also eligible for the CARES discount, the Warm Spirits program and the Low Income Weatherization program.

Q. What changes should be made to the Company's outreach and enrollment efforts?

A. Many eligible customers are simply unaware of the availability of the CARES discount program. At a minimum, the Company needs to include flyers in the bills of customers every month between November and March when the temperatures are the lowest and the need for assistance the highest in their service territory. Additionally, as was requested in the last rate case, but not realized, customers who are determined to be LIHEAP eligible, need to be enrolled in the CARES program automatically.

This may be achieved through the partnerships that already exist with the community agencies, and it may be accomplished by the Company directly when customer bills are paid using LIHEAP or other assistance funds for which the eligibility is consistent. Tucson Electric Power company is currently automatically enrolling customers in the LIFELINE program, so it appears this is a reasonable expectation and achievable request.

Q. Why are you requesting that low-income customers be exempted from Rule/Regulation, Section No. 3, Establishment of Service, B. Deposits, 5?

A. Low income customers enrolled in the CARES program are seeking assistance with their bills, requests which include various issues. As previously stated, many more families are simply unable to make ends meet at this point in time, and many families are presenting bills with significant past-due amounts. These amounts and the number of requests will continue to climb as customers who

are already unable to pay their bills are presented with a requirement that to maintain service they are now required to pay more than they already owe. It is counterintuitive to require a customer who is already behind on their bill, is seeking assistance with that payment in a system with strained resources, to come up with additional funds for a deposit. Disconnection is not an answer under these circumstances.

Q. What is an appropriate level of funding for the Warm Spirits program?

A. The Company has supported the Warm Spirits program at the \$25,000 level since at least 2005. In David G. Hutchens' testimony, he indicates that the company has experienced growth of 5000 customers since the end of 2005 and anticipates customer growth to continue at a rate of 2.5% annually. I believe that to bring the Company up to an appropriate level and to support the growth that will be realized during the next several years, as well as acknowledging the increased need in the service territory, \$50,000 is an appropriate level of Company support.

I certainly appreciate efforts to encourage additional customer contributions, and am grateful for the Company's customer support throughout the life of the program. I also don't want to ignore, however, the fact that more of these customers are also struggling, and many who have contributed may actually be eligible for this support.

Q. What is an appropriate level of funding for the Low-Income Weatherization program?

A. Comparing the per customer contribution of UNS Gas and SW Gas, UNS Gas' contribution is quite a bit lower. If the percentage is applied consistently to the current UNS Gas funding, the weatherization funding level would increase to \$185,000. This calculation is based on current SW Gas funding at \$450,000 which is .4577 per customer. If applied to the UNS Gas customer base of 145,000, the

amount would be \$185,000. However, in order to recognize the already existing need, the energy savings and cost savings realized through this program and the growing number of customers, I would request the weatherization funding be increased to \$200,000 annually.

Additionally, consistent with the SW Gas program, I request that the maximum allowable expenditure per household be increased from \$2000 to \$3000, funding which may be leveraged with other sources in order to more effectively serve families as expenses for the program have increased and will continue to increase over time as well.

Q. Why are you once again asking in a rate case that the Company cease the practice of referring customers to predatory lenders for bill payment? Hasn't that issue already been resolved?

A. Yes and no. On June 21, 2007, I received an email from the Company indicating that "TEP is committed to ending its contractual bill payment relationship with check cashing centers that offer payday loans. We are currently looking for another convenient way for our customers to make verifiable cash payments to TEP."^{viii} Upon further inquiry, I was told that this also included UNS Gas and UNS Electric. Having had some conversations with Joe Salkowski about this issue, I knew that there were some difficulties with the vendor originally identified to help with this solution, and was informed last month that a solution had been worked out with Walmart.

While I appreciate the Walmart solution, I find the continued listing of and referral to ACE Cash Express, a payday lender, inconsistent with the Company's commitment and unacceptable, and would ask that the Company be directed to delete any reference or link to ACE Cash Express from their Companies' web sites.

Q. Does this conclude your testimony?

A. Yes it does.

ⁱ Arizona Republic, "Unemployment hits 25-year high," June 6, 2009, p. D1.

ⁱⁱ Arizona Department of Commerce, www.workforceaz.gov

ⁱⁱⁱ PAFCO Annual Meeting Presentation, December 2, 2008

^{iv} Governor Janice Brewer's letter to Arizonans, June 1, 2009, p.5.

^v U.S. Conference of Mayors 2008 Status Report on Hunger & Homelessness.

^{vi} Food Research and Action Center (FRAC) State of the States 2008, www.frac.org, Arizona.

^{vii} *Arizona Daily Sun*, "Need grows, but not funds," Larry Hendricks, October 23, 2008.

^{viii} Email from Betsy Bolding, June 22, 2007

ATTACHMENTS

Resume for Cynthia Zwick

Arizona Republic article, "Unemployment hits 25-year high, but rate slows."

Governor Janice K. Brewer's letter to Arizonans, June 2, 2009

PAFCO Annual Meeting Presentation, December 2, 2008

US Conference of Mayors 2008 Status Report on Hunger & Homelessness

Arizona Daily Star article, "Need grows, but not funds," October 23, 2008

Printout of www.uesaz.com/Customersvc/PaymentOptions/Agents.asp

Printout of www.acecashexpress.com/store_locator.php

June 22, 2007 Company email notification of intent to end contractual bill payment relationship with check cashing centers.

CYNTHIA ZWICK

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Phoenix, AZ 85016

602.432.3464 (cell)
cazwick@qwest.net

SUMMARY

An accomplished executive with 23 years non-profit, association management experience. Management experience includes, personnel, non-dues revenue generation, grant analysis and development, program conceptualization and implementation, and systems analysis and design. Excellent analytical, interpersonal communication and individual and team development skills. Creative and collaborative leadership style with ability to inspire individuals and organizations to grow programmatically while increasing revenues.

SELECTED ACCOMPLISHMENTS

- Designed and implemented processes in Lawyer Regulation to insure fair, prompt handling of bar complaints, resulting in consistent and compassionate treatment of all involved, thereby increasing efficiency and confidence in the lawyer discipline system.
- Conceptualized and introduced a bi-monthly electronic newsletter to all 16,000 State Bar members, resulting in enhanced communication and organizational value. Of total membership, 30 opted to unsubscribe.
- Working with outside technical experts, successfully designed and executed first electronic fund raising effort for the Arizona Foundation for Legal Services & Education, resulting in approximately \$50,000 in new gifts.
- Improved member services through more efficient use of technology, organizational systems and personal outreach.

PROFESSIONAL EXPERIENCE

Arizona Community Action Association

September 2003

Executive Director

Arizona Community Action Association (ACAA), is a non-profit organization working to create systems to support individuals and tools to assist individuals moving to and sustaining self-sufficiency. Working with a Board of Directors, Executive Director oversees the operational issues, writes and manages State and Federal contracts, leads educational and outreach efforts, membership development, and efforts to inform all members of the Arizona community about the issues facing low-income and working poor individuals and families in order to ensure adequate support, with the ultimate goal of ending poverty in Arizona.

State Bar of Arizona

Arizona Foundation for Legal Services & Education

Phoenix, AZ 1980 – May 2003

Executive Director

March 2000-May 2003

Lead both professional organizations, insuring high quality service and programming for all members of the State Bar of Arizona, a mandatory membership organization, as well as participating in the improvement of legal and justice system services available to the greater Arizona community.

Directed the operations of both organizations; advised both Boards with respect to all programs and activities; formulated and recommended policies and programs, including a \$9 million budget and budgeting strategies; executed all decisions of the Boards and their various committees; directed programming, projects and major activities of the 100 person staff; responsible for the hiring of personnel, maintenance of salary administration plan and procedures; promoted interest and active participation in the Bar and Foundation activities, resulting in increased funding; created and maintained effective relationships with other public and private organizations; supervised lawyer regulation and government relations efforts; directed the fund raising and grants analysis process for the Foundation.

Assistant Executive Director – Member Services

1995—2000

Member of the Senior Management Team, reported to the Executive Director, worked closely with the Board of Governors. Directed the work of nine diverse divisions of service including:

- Continuing Legal Education
- Mandatory Continuing Legal Education
- Board of Legal Specialization
- Committees, Sections and the Young Lawyers Division
- Community, Media Relations and Publications
- Member Assistance Program
- Law Office Management Assistance Program
- Annual Convention, and
- Tucson Office

Associate Director

1991 – 1995

Director, Programs and Public Services Division

1987 – 1991

Convention Coordinator

1984 – 1987

Committee and Section Administrator/CLE Seminar Coordinator

1980 – 1984

Coordinator, Western States Bar Conference

1986 – 1992

Managed all the logistical and programmatic arrangements for a 14 state, member organization.

Central and Eastern European Law Initiative (CEELI), Consultant to Macedonian Bar Association

2000

EDUCATION AND TRAINING

- Bachelor of Arts, Political Science
Ohio Wesleyan University, Delaware, Ohio
- Wroxton College, Wroxton, England (a Fairleigh Dickinson University exchange program)

PROFESSIONAL AFFILIATIONS

- Member, National Low Income Energy Consortium, Board of Directors
- Collaboration for a New Century, Board of Directors
- Member, Governor's Task Force on Earned Income Tax Credit
- Valley Leadership, Class XXV
- Member, Arizona Society of Association Executives
- Past Member, National Association of Bar Executives
Board of Directors, Delegate-at-Large
Member, Special Committee on Leadership Development
Chair, Administration and Finance Section
Chair, Program Committee
- Arizona Town Hall, Member
- Past Member, Greater Phoenix Chamber of Commerce
Member, Greater Phoenix Crime Coalition

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Unemployment hits 25-year high, but rate slows

Pace of nation's layoffs slows for 4th month, buoying hopes recession is loosening grip

by Jeannine Aversa - Jun. 6, 2009 12:00 AM
Associated Press

WASHINGTON - With companies in no mood to hire, the unemployment rate jumped to 9.4 percent in May, the highest in more than 25 years. But the pace of layoffs eased, with employers cutting 345,000 jobs, the fewest since September.

The much smaller-than-expected reduction in payroll jobs, reported by the Labor Department on Friday, adds to evidence that the recession is loosening its hold on the country. It marked the fourth straight month that the pace of layoffs slowed.

"This tide is turning," said Richard Yamarone, economist at Argus Research. "We expect this trend of slower job loss to continue throughout the year."

Still, the increase in the nation's unemployment rate from 8.9 percent in April underscores the difficulties that America's 14.5 million unemployed are having in finding new jobs. Economists had expected the rate to hit 9.2 percent last month.

If laid-off workers who have given up looking for new jobs or have settled for part-time work are included, the unemployment rate would have been 16.4 percent in May, the highest on records dating to 1994.

Labor Secretary Hilda Solis called the rise in May's unemployment rate "unacceptable" and pledged to help bring it down by aiding the unemployed get new skills or training.

President Barack Obama's stimulus package is expected to help bolster the economy. Vice President Joe Biden said he will join Obama on Monday in seeking to ramp up the pace this summer of the stimulus effort that Congress approved earlier this year.

Even with layoffs slowing, companies will be reluctant to hire until they feel certain that economic conditions are improving and that any recovery will last.

Since the recession began in December 2007, the economy has lost 6 million jobs.

As the recession, which is now the longest since World War II, bites into sales and profits, companies have turned to layoffs and other cost-cutting measures to survive the fallout. Those include holding down workers' hours and freezing or cutting pay.

The average workweek in May fell to 33.1 hours, the lowest on records dating to 1964. The number of people out of work six months or longer rose to more than 3.9 million in May, triple the amount from when the recession began.

Education, health care, leisure and hospitality were among the industries adding jobs in May. Solis believes the stimulus already has helped "to stabilize employment in the retail and service sectors" and played a role in reducing job losses in construction in May.

In another encouraging note, job losses in both March and April were less than previously thought.

Employers cut 652,000 positions in March, versus 699,000 previously reported. They eliminated 504,000 jobs in April, less than the 539,000 initially estimated.

Many economists believe the jobless rate will hit 10 percent by the end of this year. Some think it could rise as high as 10.7 percent by the second quarter of next year before it starts to make a slow descent.

Friday's report "supports the notion that the recession will end this year," Yamarone said. But pain will linger and the jobless rate will move higher. He predicts it will peak at 10.2 percent early next year.

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More on unemployment

Recent job fair in Glendale

New job search sites

We all know the granddaddy job-hunting Web sites like Monster (www.monster.com), CareerBuilder (www.careerbuilder.com) and Jobing.com.

Career expert Alison Doyle (<http://alisondoyle.typepad.com>) has her list of favorite newer job-search sites. Here are five:

- www.visualcv.com: Allows users to create a resume that "comes alive with informational keyword pop-ups, video, pictures, and social networking."
- www.linkup.com: Bills itself as a way into the "hidden" job market and promises only real jobs from real companies.
- www.realmatch.com: Matches applicants only with employers that appear to make a good fit.
- www.standoutjobs.com: An "interactive career site that leverages social media tools and principles, including video, blogging and widgets."
- www.glassdoor.com: Allows users to find "real-time reviews, ratings and salary details about specific jobs for specific employers - all for free."

Career events:

- [Click here for current Arizona Job Fairs](#)

More resources:

- www.careerbuilder.com
- www.monster.com
- www.jobing.com
- www.simplyhired.com
- www.indeed.com

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STATE OF ARIZONA

JANICE K. BREWER
GOVERNOR

EXECUTIVE OFFICE

June 1, 2009

Dear Citizens:

In my four months as Governor, I have watched with empathy and compassion as our Legislature has labored mightily, during this extraordinarily difficult period, to produce a General Fund budget for the fiscal year that begins in less than 30 days. As I learned during my 14 years as a legislator,¹ meeting Arizona's growing and increasingly diverse funding needs is, even in the best of economic times, one of the most challenging aspects of legislative service.

During this session, the depth of the Legislature's struggles to produce a long-term, comprehensive balanced budget illustrates the severity of the State's mounting fiscal crisis. However, while they have not yet agreed on a budget, our legislators have exhibited courage in addressing the State's immediate fiscal situation.² The Legislature's bold actions, in combination with Executive-ordered reductions in the State government's workforce, have helped ease our crushing fiscal burden for the present and will continue to pay dividends in future years.

Nevertheless, the Fiscal Year 2010 budget is due in less than a month, and we are not close to meeting that deadline. The urgency of our mission is magnified by the fact that most current assessments conservatively estimate the FY 2010 General Fund deficit to be roughly \$4 billion, or approximately 40% of last year's General Fund expenditures. With a deficit of this magnitude and historic proportion, only the most decisive and courageous solutions can be considered.

To their credit, legislators on both sides of the partisan and ideological chasm have advocated, in good faith and with good intentions, various budget proposals. Unfortunately, after five months of rancorous discussion, and with only four weeks to go, further debate as to which proposal offered to date is the "right" one is an exercise in futility, for one clear, simple reason: None of them would result in a balanced budget.

Out of respect for our Legislature and its constitutional and time-honored role in spearheading the budget process, I have exercised restraint in engaging the resources and leadership of the

¹ Governor Brewer was a State Representative from 1983 to 1986 and a state senator from 1987 to 1996. She was the Senate's Majority Whip from 1993 to 1996.

² In the January 2009 special session, with less than half of the fiscal year remaining, the Legislature enacted the deepest spending cuts — approximately \$574 million — in state history to help close a \$1.7 billion budget deficit in the current fiscal year. In May 2009, in response to worsening revenue collections, the Legislature made another budget correction to close the FY 2009 shortfall by an additional \$650 million.

Executive branch in moving the Legislature toward an acceptable budget resolution. However, the time for restraint has passed.

Arizona's growing fiscal crisis stands to inflict a devastating impact on our state. We have a non-negotiable duty to adopt a budget that simultaneously addresses, first, our current fiscal situation; second, our future fiscal situation, based on realistic projections; third, the immediate needs of our least fortunate adults and children during this grave economic time; and, finally, our stewardship role on behalf of future generations of Arizonans.

In meeting those standards, the five-point plan³ that I shared with the Legislature on March 4 provides an even clearer path today.

1. Budget Reform. While Arizona's sharp economic decline triggered our budget difficulties, it has been the lack of sound budgetary practices that elevated those difficulties to a crisis. Reforming the State's budget process must encompass (a) changes to the Budget Stabilization Fund⁴ (or "rainy day fund"), (b) extending revenue forecasts beyond the current budget cycle, (c) increasing fiscal year ending cash balances, and (d) reducing the rate of spending growth.

Budget Stabilization Fund (BSF). The volatile and cyclical nature of the State's revenues sources requires a well-designed "rainy day" fund for use when revenue or expenditure deviations cause a budget shortfall. In 2003, the Citizen Financial Review Committee noted that improvements to the existing rainy day fund are the "single most important change that should be made to Arizona's fiscal system" and that "stability and predictability cannot be achieved without a much stronger Budget Stabilization Fund."

For the BSF to provide adequate protection, the maximum fund balance should be restored to its original level of 15% of actual revenues (from the current 7%). When State revenues exceed historical averages, the excess revenue should be deposited into the BSF instead of being used to fund new programs.⁵ When the 15% cap is reached, additional one-time funds should be used to retire outstanding borrowings – including "rollovers"⁶ – or to fund one-time capital expenditures. Finally, withdrawals from the BSF must be made only when actual revenues fall below a predetermined level.

³ To close what was then a projected \$3 billion budget deficit for FY 2010, Governor Brewer's March 4 "Building a Better Arizona" address to a joint session of the Legislature provided for (1) reforming the budget process, with a focus on longer-term needs and resources; (2) improving Proposition 105 (the Voter Protection Act); (3) implementing a temporary tax increase to generate \$1 billion in additional revenues; (4) reforming Arizona's tax system to attract business and more jobs; and (4) cutting spending by \$1 billion.

⁴ The Budget Stabilization Fund, which exists pursuant to A.R.S. § 35-144, provides: "At the end of a fiscal year, the budget stabilization fund balance shall not exceed ... seven per cent ... of general fund revenue for each fiscal year. Any surplus monies above the allowable percentages shall be transferred by the state treasurer to the state general fund.

⁵ Specifically, in any fiscal year, any revenues received that are more than 7% of the long-term adjusted rate of growth in General Tax revenues would be deposited into the BSF. By the same formula, if revenues fall below 7%, withdrawals from the BSF would be allowed.

⁶ A rollover is a budget-balancing tool by which a portion of a State agency's expenses are "rolled over" into the next fiscal year and included in that year's budget.

Independent, Longer-Term Revenue Forecasting. In forecasting revenues, the State can no longer afford to confine its focus to the current budget cycle. The aforementioned revenue and spending estimates for the next four years dramatically demonstrate the need for a longer-term vision. Two-, five- and ten-year forecasts should be produced for each source of major State revenues, and the forecast should be developed with a range of probabilities to reflect economic uncertainty.

As important as the scope of the forecast is the independence of the forecaster. General Fund revenue forecast proposals should be developed under the direction of an independent entity, such as an expanded Economic Estimates Commission.⁷

Mandatory Cash Balance. To provide a funding source for unplanned expenditures, General Fund budgets must include a targeted ending cash balance. Over time, the ending cash balance requirement should be increased to 4% of forecasted revenues. Year-end cash balance surpluses would either be carried forward into the next year or used to pay down borrowings and rollovers.

Renewed State Spending Limitation. Achieving long-term fiscal stability requires that we reduce both spending and the rate of spending growth.

Consistent with that objective, the current constitutional state expenditure limitation⁸ should be replaced with a limit – such as a combined population and inflation formula – that more closely aligns with General Fund revenue sources. Unlike spending limits in other states, our limitation should be computed each year based on the cumulative changes from a base period, instead of being reset from the previous year.

Any amounts deposited and accumulated in the BSF should be exempt from the spending limitation.

2. Proposition 105. Our second fundamental problem relates to the permanent, inflexible spending and taxes that are locked into the 1998 Voter Protection Act, also known as Proposition 105. While Proposition 105 was well-intended, Arizona cannot afford to sacrifice core services on the altar of discretionary program enhancements. With respect to budgeting, Proposition 105 paints State government into a corner.⁹ Despite passage of the corrective Proposition 101 in

⁷ The three-member Economic Estimates Commission, which exists pursuant to A.R.S. § 41-561, is chaired by the director of the Department of Revenue. Its two other members are appointed by the President of the Senate and the Speaker of the House of Representatives.

⁸ Article 9, section 17 The Arizona Constitution restricts the appropriation of certain state revenues to no more than 7.41% of Arizona personal income. The applicable revenues are primarily tax and fee collections that may be deposited to either the General Fund or dedicated funds.

⁹ Proposition 105 restricts legislative changes to any voter-approved propositions with a 75% vote of the legislature to further the purpose of the original ballot measure

Measures that Impact General Fund:

Proposition 204, November 2000 – provides AHCCCS health insurance coverage for all Arizonans up to 100% of the Federal poverty level

2004,¹⁰ as a practical matter the only spending cuts available to the Legislature and the Governor are in the critical areas of education, public safety and vital services to our most at-risk population.

The Legislature must send to the voters in the November 2010 election a referendum to require that any initiative or referendum measure that passed between 1998 and 2004 and that enacted a mandatory expenditure of State revenues for any purpose, established a fund for any specific purpose, or allocated funding for any specific purpose, would be subject to a vote of the people to ensure that the measure provided for an increased source of revenues – independent of, and with no detrimental impact on – the General Fund. If the voters do not approve such a referendum on or before December 31, 2012, the Legislature would be authorized to amend the initiative- or referendum-created program.

3. Spending Cuts. In my March 4 address to the Legislature, I acknowledged the clear necessity of continued and substantial reductions in State spending. As citizens and businesses throughout the United States are learning to produce and achieve more with less money, so must the government.

Over the last five months, more than 1,200 State employee positions have been eliminated, and over 15,000 State employees have been furloughed. Approximately \$500 million in State spending has been cut, and my FY 2010 budget recommendation cuts State spending by an additional \$600 million. These spending reductions are roughly equal in size to, though different in impact from, budget proposals offered by Republican and Democratic Legislative leaders.

The highlights of my detailed budget proposal include:

Proposition 201, November 2000 – increases K-12 education funding with 6/10th of a cent sales tax increase for teacher pay, lower class sizes, five more school days, and building improvement; higher education funding for workforce development, technology, and research

Proposition 303, November 1998 – appropriates \$20 million from the General Fund each year for eleven years to purchase or lease State Trust Land to preserve it from development

Summary of General Fund Increases - Automatic Spending Increases:

	FY 2007	FY 2008	FY 2009	FY 2010 Est.
K-12	4,156,000,000	4,032,000,000	4,141,000,000	4,339,000,000
AHCCCS	1,132,000,000	1,274,000,000	1,425,000,000	1,751,000,000

¹⁰ Proposition 101 amended the Arizona Constitution (see Article IX, Section 23) as follows:

Section 23. A. An initiative or referendum measure that proposes a mandatory expenditure of state revenues for any purpose, establishes a fund for any specific purpose or allocates funding for any specific purpose must also provide for an increased source of revenues sufficient to cover the entire immediate and future costs of the proposal. The increased revenues may not be derived from the state general fund or reduce or cause a reduction in general fund revenues.

B. If the identified revenue source provided pursuant to subsection A in any fiscal year fails to fund the entire mandated expenditure for that fiscal year, the legislature may reduce the expenditure of state revenues for that purpose in that fiscal year to the amount of funding supplied by the identified revenue source.

- approximately \$1 billion in total State spending reductions – \$400 million for FY 2009 and \$600 million for FY 2010;
- \$100 million for new school construction;
- \$169 million for full funding of K-12 enrollment growth and inflation;
- protection of university funding through the application of federal stimulus dollars;
- restored funding of nearly \$13 million for children support services, including the investigation of all Child Protective Services cases;
- caseload funding growth for the developmentally disabled and for Temporary Assistance for Needy Families;
- filling of critical Department of Public Safety (DPS) officer positions, with no overall reduction in the number of DPS officers, and retention of current funding for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) task force;
- continued funding for prison population growth, including the opening of 2,000 new in-state private prison beds targeted for February 2010;
- continued funding for homeless prevention and food operations and rural low-income housing, and no reductions in housing or treatment for the seriously mentally ill;
- the continuation of core environmental quality programs; and
- protection of core construction programs at the Department of Transportation (ADOT), to take full advantage of federal stimulus “shovel-ready” project funding and to prevent harm to ADOT’s bond rating.

Reflecting long-held Arizona values of promoting the well-being and education of our children, the current State budget devotes more than 50% of its funding to education. While my budget reduction proposals for FY 2010 include a necessary reduction of \$295 million in K-12 education funding, that decrease is softened substantially by maximizing the use of federal stimulus dollars. As a result, the net reduction in K-12 education funding is \$73 million.

Slow or negative economic growth invariably raises the demand for – and the cost of – government services. During FY 2009, enrollment in the Arizona Health Care Cost Containment System (AHCCCS) has grown by an estimated 120,700 members, with more than 40% of enrollment growth occurring in the last 60 days. We are unable to change AHCCCS eligibility standards without losing approximately \$1.7 billion in federal stimulus funds. As a consequence, we anticipate that AHCCCS enrollment growth in FY 2010 will have a General Fund budget impact of more than \$250 million.

4. Temporary Tax Increase. Ideally, the State’s \$4 billion budget shortfall for FY 2010 would be eliminated without imposing an additional tax burden on Arizona businesses, residents and visitors – particularly at this time, when personal and business incomes are squeezed from every direction.

Unfortunately, after considering *every* option, and after performing a painstaking assessment of our real economic situation, a temporary tax increase is necessary to bridge the gap between fiscal crisis and recovery. Specifically, I am calling for a one percent increase, for 36 months, in the State's transaction privilege tax (sales tax).

It is important to note that this temporary sales tax increase is part of a longer-term tax-restructuring plan that, over the first ten years after enactment (see following section for details), will result in an overall tax reduction.

Taxpayers are justifiably skeptical about promises that a tax increase is truly "temporary." To ease that skepticism, it should be noted that this revenue increase can follow either of two avenues to passage: by Legislative approval or by referendum to Arizona voters. Under either scenario, the Arizona Constitution provides taxpayers the assurance that the tax would remain temporary.¹¹

The additional sales tax rate will apply to the existing classifications and exemptions; thus, it will not be imposed on purchases that are not currently taxed by the State. While the tax will not be apportioned with counties and cities under the existing distribution formula, the additional revenues will eliminate the need to transfer hundreds of millions of dollars of the State's deficit to local governments. The tax will be imposed by the Department of Revenue as soon as possible following approval.

I am keenly aware that temporary tax revenues and continuing spending cuts are not the long-term solutions to fiscal stability. Rather, the keys to restoring the balance between ongoing revenues and expenditures are a growing economy, high-value job creation, a slower rate of State spending growth, and, as discussed below, net tax reductions as part of permanent structural tax reform.

5. Tax Reductions for Economic Growth. A robust economic recovery is essential to State government's long-term fiscal health. The State's tax structure must promote job growth and sustainability, capital formation, investment in Arizona, and revenue stability.

The first step in providing tax relief to Arizona homeowners and businesses is the phased repeal of the State equalization tax,¹² with permanent repeal occurring proportionately over a three-year period beginning in FY 2010. In the next ten years, permanent repeal will provide tax relief of approximately \$2.2 billion, half of which would directly benefit Arizona homeowners.

¹¹ Proposition 108 (passed in 1992) amended the Arizona constitution to require a two-thirds vote by the Legislature when passing any legislation increasing State revenues through a change in tax allocation, such as an increase in taxation levels or a reduction in credits and exemptions. Proposition 105 (passed in 1998) requires a three-quarters vote by the Legislature to amend any approved ballot measure. A constitutional provision authorizing the tax will also include language allowing the tax to be pledged for the purpose of borrowing an amount sufficient to include a full 12 months of revenue in FY 2010.

¹² A.R.S. § 41-1276 provides that the state equalization property tax is levied by the counties on behalf of the State to help offset costs of school districts. The tax rate was set to zero in tax years 2006, 2007 and 2008 and is set in statute to return in tax year 2009.

While Arizona's corporate tax rate is near the median for the nation, the current rate is higher than rates in states with which Arizona competes¹³ for business and population growth. Further tax relief should become effective in FY 2012, with a reduction – from 6.96% to 4.55% – in Arizona's corporate income tax rate. This rate reduction is expected to save Arizona employers and economic engines approximately \$250 million per year.

Another competitive disadvantage for Arizona is the tax imposed on business-owned real and personal property. Recognizing this deficiency, the State is already reducing the assessment ratios for commercial classes by 1% per year, from the current 22%. The General Fund budgets for FYs 2010 and 2011 must continue that reduction. For FY 2012 we should evaluate further reductions, with the goal of reducing the assessment ratio to 15%.

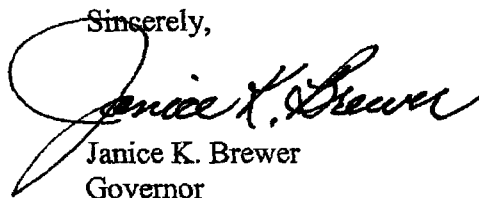
Conclusion. My standards for signing the FY 2010 General Fund budget are more steadfast today than they were in early March. I will not sign a budget that relies primarily on debt and federal economic stimulus dollars. I will not sign a budget that incorporates unrealistic spending cuts, excessive gimmicks or phony revenue projections. I will not sign a budget that, in the interest of expediency, dims Arizona's future.

In the preceding paragraphs I have outlined a sensible plan for a balanced budget. It is the only such plan on the table, and I renew my March 4 call to the Legislature to adhere to it closely in fulfilling its constitutional duty.

The clock is ticking – loudly. It is time to come to grips with the fact that a budget that complies with the non-negotiable standards described above will contain elements that are politically and ideologically repugnant and that will create hardships for individuals, families and companies that don't deserve it.

Saving our state from financial ruin in the future requires that we swallow bitter pills now – and that we return our state to a long-term path of recovery.

Sincerely,



Janice K. Brewer
Governor

¹³ According to the W.P. Carey School of Business at Arizona State University, the ten states that, based on data from the Federation of Tax Administrators, are Arizona's top competitors in attracting new business are California, Colorado, Florida, Georgia, Nevada, New Mexico, Oregon, Texas, Utah and Washington. Of those ten, only California has a higher corporate income tax rate than Arizona.

PAFCO Community Meeting Agenda

- Welcome and Introductions
- Current Situation as we know today
- Action Plans
- Closing

12/2/2008

PAFCO Community Meeting

1

PROTECTING ARIZONA'S FAMILY

- PAFCO is a non-profit coalition of health and human service agencies from all over Arizona.
- The Coalition was formed in 2001 to stop drastic budget cuts to health and human services and to promote health and human services funding.
www.pafcoalition.org
- *Thanks to member contributions, St. Luke's Health Initiatives and the McMiles Foundation for funding PAFCO Education Fund Health Care for All and Citizen Advocacy Unfinished Agenda training project.*

12/2/2008

PAFCO Community Meeting

2

PAFCO

Principles

- Strength/power in our diversity
- Common Message
- Non partisan
- Not allowing groups to be pitted against one another

Actions

- State Legislative Budget Advocacy
- Unfinished Agenda of Need
- Health Care Reform Advocacy
- Federal Budget

12/2/2008

PAFCO Community Meeting

3

Environmental Scan – What's Happening in National – State Scene

<ul style="list-style-type: none"> • NATIONAL SCENE • Election of Barak Obama/Joe Biden • Democratic Majorities in House and Senate • National Recession/Economic Meltdown • Two Wars • Health Care Crisis • Crumbling Infrastructure • Energy Crisis and Costs – Climate Change • Federal Bailouts 	<ul style="list-style-type: none"> • State/Local Scene • Severe Economic Recession – worse! • State Budget Crisis/Huge State Revenue Deficits/Local Government Budget Deficits • Conservative Majorities in House and Senate – New Leadership • Change in Governor with Election in two years • History of tax cuts limiting revenue
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Current Situation- State

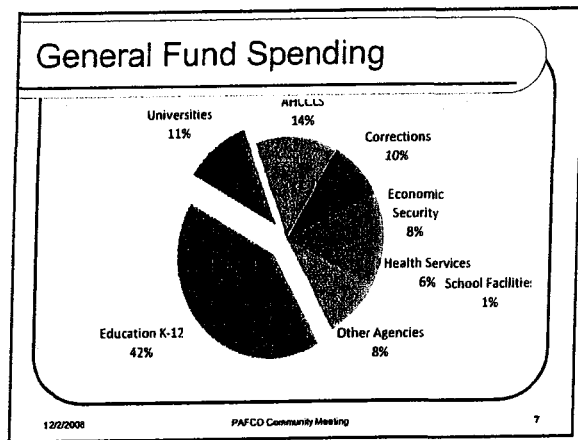
<ul style="list-style-type: none"> • Special Session • Transition to new Governor • Changes in Legislature, committee chairs, and new members • Loss of Champions in new legislature • Huge Deficits with recession ongoing • Inadequate Tax base • Election in two years 	<ul style="list-style-type: none"> • National bailout possibilities. • \$500 million to \$1 billion possibilities • Need to protect current programs and infrastructure so this is not diverted away from health and human services
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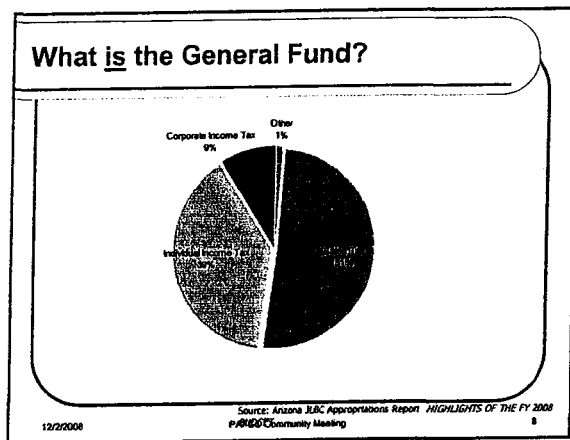
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Arizona's Total Spending

Category	Percentage
K-12 Education	20%
Higher Education	12%
Corrections	4%
Health Svs	6%
Economic Security	10%
Other Agencies	21%
AHCCCS	25%

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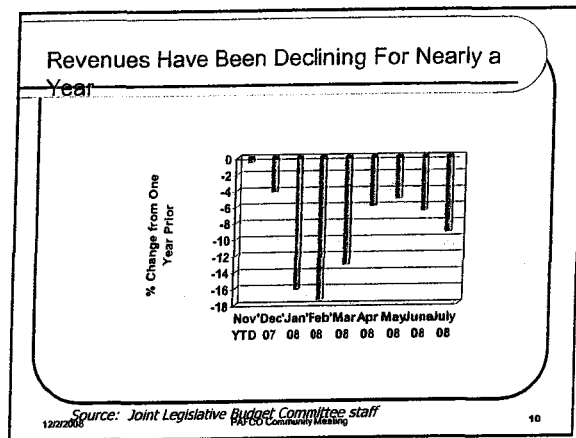




What Kinds of Taxes are There?

- Arizona Ranks 34th in Overall Taxes (State/Local)
- Sales taxes - make up 51% of the state's general fund – that's up 2% from last year.
- Property taxes - collected and used by local governments such as counties, school districts, and cities. There are very few property tax dollars that go into the General Fund.
- Income taxes – make up 48% of the general fund – 39% from individuals and 9% from corporations.

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CURRENT AND PROJECTED BUDGET DEFICITS How This Translates into \$

- FY 08 shortfall grew from \$970 million to \$1.2 billion
- The FY 09 shortfall that was supposedly solved when the budget was put together was \$1.2 TO 1.7 billion SHORT.
- Special Session will deal with part of 2009 up to about \$350 million plus.

- 2010 Could be \$2.3 to\$3billion
- Options list includes things like:
 - Eliminating Kidscare and Kidscare Parents
 - Reduce some optional services in AHCCCS
 - Reduce CPS family services
 - Reduce Children Support Services
 - Eliminate Ticket to work
 - Reduce DDD rate increases
 - Reduce Childcare eligibility
 - Eliminate GA
 - Eliminate funding for Community health centers
 - Eliminate Alzheimer's Research funding
 - The OPTIONS list for 2010 goes on and on.

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ASU Study - Hoffman-Rex report on tax cuts and economic impact.

"The tax reductions of the last 15 years have been the main cause of the structural deficit, which also is the result of an outdated tax code that creates large cyclical swings in revenue and that causes revenue to grow more slowly than the pace of the overall economy. Many of the changes to the tax code during the last 15 years exacerbated these problems."

- Tax law changes since 1993 cumulate to a decline in general fund revenues of about \$1.63 billion on a nominal basis and \$2.58 billion after adjusting for inflation.

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ASU Study - Hoffman-Rex report on tax cuts and economic impact.

"Thus, the existing state general fund budget deficit as well as the underlying structural deficit cannot be blamed on excessive spending.

Instead, very aggressive tax cuts are the primary cause, with other shortcomings in the revenue system — increasingly cyclical revenues and revenue growth not keeping pace with economic growth — also contributing to the deficit."

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13

Safety Net Programs Needed More in Down Times

- Food Stamps caseload up 15.5%
- Unemployment Insurance claimants up 48.9%
- Child care assistance up 5.4%
- CPS reports up 3.6%
- AHCCCS enrollment at all time high
- Adult Protective Services investigations up 16.1%

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Senate and House Leadership



- Senate – 30 members
 - 18 rep - 12 dem
- President of the Senate
- Majority Leader
- Majority Whip

- Minority Leader
- Asst Minority Leader
- Minority Whip

- 13 committees +/-
- Membership and Chairs appointed by President

- House – 60 members
 - 35 rep -25 dem
- Speaker of the House
- Majority Leader
- Majority Whip

- Minority Leader
- Asst Minority Leader
- Minority Whip

- 18 committees +/-
- Membership and Chairs appointed by Speaker

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Legislative Leadership - 2009

NEW HOUSE LEADERSHIP

House Majority:
Speaker - Kirk Adams
Majority Leader - John McComish
Majority Whip - Andy Tobin

Minority Leadership

Majority Leader - David Lujan
Assistant Minority Leader -
Kristen Sinema
Minority Whip - Chad Campbell

NEW SENATE LEADERSHIP

Senate Majority:
President - Bob Burns
Majority Leader - Chuck Gray
Assistant Majority Leader -
Pamela Gorman

Minority leadership

Minority Leader - Jorge Garcia
Assistant Minority Leader -
Rebecca Rios
Minority Whip - Linda Lopez

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Unfinished Agenda

- Introduction
 - The strengths and promises of Arizona
 - Quality of Life for all
 - Infrastructure for health and human services as critical to quality of life for all
- **FOCUS ON SOLUTIONS**, not just advocate whining.
- Overarching issues
 - Poverty
 - Workforce
 - Linkages among issues
 - Tax Reform - like elimination of tax exemptions.
- Workforce
- Women's Issues/Domestic Violence, et
- Child Welfare
- Child care -early care and education
- Health Care
- Public Health
- Disability
- Developmental Disability
- After School Programs
- Healthy Families
- Prevention of Family Violence
- Autism
- Aging
- Criminal Justice
- Juvenile Justice
- Substance Abuse
- Behavioral Health
- Poverty
- Hunger
- Homelessness
- What else needs to be on the agenda?

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Types of Advocacy

- Education
- Organize your agency or group
- Join groups organized around an issue
- Letters to Editor or Op-ED
- Public Speaking
- Organized Rallies
- Neighborhood Caucuses
- Meetings
- Boycotts
- Action Alerts
- Candidate forums
- Elections, voter registration, voter education, voter turnout.
- PAFCO Days Presence

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Advocacy Do's and Don'ts

Do

- Be **polite** and friendly
- Be **concise**
- Play on **emotion**
- Include **personal relevance**
- Mention that you are a voting **constituent**
- **Thank them**
- Follow up afterwards

Do Not

- Do Not Be Angry
- Do Not Be Hostile
- Do Not Be Threatening
- Do Not Have too much information
- Do Not Take up too much of their time.
- Do Not Lose Credibility
- Do Not Be Dishonest or Exaggerate

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PAFCO CITIZEN ADVOCACY REMINDERS - Embracing your Citizenship - Register to vote and VOTE!!! IT'S ABOUT POWER!

- **Build relationships** and educate legislators about your issues. Citizen advocacy is about persuasion, not debate.
- **Why will public policy makers listen to you?**
 - You are a constituent from their district, who VOTES!
 - You have good reliable information.
 - You are representative of large group.
- **Know your audience of policy makers:**
 - **Tell your story. Be clear about the message.** Make each message simple and direct.
 - Identify yourself as voting constituent.
 - Identify your issue specifically, urge specific action.
 - Provide supporting facts or a story.
 - Specify action again
 - And always ask how they plan to vote and why?
 - Thank them.

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Messaging Ideas

- Our message must be relentless:
 - Cuts don't make economic sense, demands for services are rising and are countercyclical to economic cycle.
 - And now it is not about the poor anymore but **all of us** in the middle class losing jobs, housing and suffering economic dislocation because of depth and breath of the recession.
 - Nobel Prize economist Joseph Stiglitz says that "cutting spending on programs that serve low-income people tends to reduce consumption — and thus state economic activity — by the full amount of the spending reduction."
 - Cuts to health and human services serving low income people, many whom are new to poverty and need, clearly makes no sense humanely or economically.
 - All options including strengthening revenues and closing tax exemption loopholes on those who can afford it during an economic downturn need to be considered before we cut basic programs for vulnerable children, families and adults.
 - We need to protect the common good including health and human services for those in need while balancing economic development and the future needs for the state.

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What can we do together!

- Stay informed and ready to act.
- Know your legislators and let them know you want them to protect health and human services.
- Mobilize your community and groups.
- Talk about budget and policy process at your staff meetings, board meetings, and other groups meetings.
- Mobilize the people you serve in their interest.
- Be visible when you can at the legislature like PAFCO days with your sector group.
- Join PAFCO and another email alert list advocating for the needs of children and vulnerable adults.

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It's about Coalition Building and Partnerships And Action

- Acting with others rather than alone!!!!
 - Mobilizing existing resources and creating new advocates
 - Flexibility and Action – How to create energy for action!
 - How to help and get help?
 - Building an email network and list – spreading the word!
- Our goals remain steadfast:
- Stop and minimize cuts to vulnerable populations to fullest extent possible,
 - Try to avoid destruction of health and human services infrastructure since it is so costly to restore and rebuild,
 - Present options.
 - Patience, perseverance, and persistence.

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Finding our Power as Citizens

- Human Dignity and Justice
- We can make it better for ourselves, our children and grandchildren and leave a legacy of community and justice.
- Community - We are not alone, we are in this together and together we are powerful, we can change the world.
- Find your *passion* --- that cause or group that motivates you to act.
- Find your *voice* --- your role, your way to be an effective citizen advocate.
- Find your *power* --- connect with others to give practical ways to have real impact for your causes.

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Arizona

Demographics, Poverty and Food Insecurity

Population (2007)	
Total People	6,338,755
Children (Under Age 18)	1,670,555
Income and Poverty (2007)	
Median Household Income (2007)	\$49,889
Rank Among States	23
Total People Living In Poverty	881,257
Poverty Rate	14.2%
Rank Among States (Highest to Lowest)	15
Children (Under Age 18) Living In Poverty	330,910
Child Poverty Rate	20.2%
Rank Among States (Highest to Lowest)	13
Total People Living Below 185% of Federal Poverty Level	1,889,452
Food Insecurity Among Households (2005-2007, 3-Year Averages)	
Number of Households that are Food Insecure	283,000
Percent of Households that are Food Insecure	12.0%
Number of Households that are Very Low Food Secure	108,000
Percent of Households that are Very Low Food Secure	4.6%

Federal Nutrition Programs

School Breakfast Program (School Year 2006-2007)	
Average Daily Student Participation	209,018
Free and Reduced-Price Students	167,112
Paid Students	41,906
Change in Free and Reduced-Price Participation in Last 10 Years	69.3%
Free and Reduced-Price Student Participation Rate (Compared to School Lunch Participation)	40.9
Rank Among States	32
Additional Free and Reduced-Price Students Served if Participation Rate Reached 60%	78,022
Additional Federal Dollars State Would Receive if Participation Rate Reached 60%	\$16,722,505
Number of Schools Participating	1,477
School Participation Rate (Compared to Number of Schools Serving Lunch)	90.6%
Federal Funding for School Breakfast	\$45,090,216
School Breakfast Mandate in State Law (Yes/No)	No
National School Lunch Program (School Year 2006-2007)	
Average Daily Student Participation	630,718
Free and Reduced-Price Students	408,557
Paid Students	222,162
Number of Schools Participating	1,630
Federal Funding for School Lunch	\$174,091,774
Summer Nutrition Participation (July 2007)	
Average Daily Summer Nutrition Participation in July	37,689
July Summer Food Service Participation	7,156
July National School Lunch Participation in Free and Reduced-Price Lunch	30,533
Change in Average Daily Summer Nutrition Participation in Last 10 Years	15.1%
Low-Income Participation Rate (Compared to Regular Year Free and Reduced-Price School Lunch)	10.0
Rank Among States	38
Additional Low-Income Children Served if Participation Rate Reached 40%	113,804
Additional Federal Dollars State Would Receive if Participation Rate Reached 40%	\$6,858,949
Number of Summer Food Service Sponsors	34
Number of Summer Food Service Sites	163
Federal Funding for Summer Food Service Program	\$2,192,731

Arizona Continued

SNAP/Food Stamp Program (FY 2007)	
Average Monthly Participation (Individuals)	544,688
Change in Participation in Last 5 Years	43.8%
Average Monthly Benefit per Person	\$98.95
Participation Rate of Eligible Persons (FY 2005)	66%
Rank Among States	23
Participation Rate of Eligible Working Poor (FY 2005)	54%
Federal Funding for SNAP/Food Stamps	\$646,750,299
Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (FY 2007)	
Average Monthly Participation	186,470
Women	47,891
Infants	52,670
Children	85,908
Change in Participation in Last 10 Years	27.9%
Federal Funding for WIC	\$114,299,365
Child and Adult Care Food Program (CACFP) (FY 2007)	
Number of Participating Family Child Care Homes	3,452
Family Child Care Home Average Daily Participation of Children	11,400
Change in Family Child Care Daily Participation in Last 10 Years	2.5%
Number of Participating Child Care Centers (Includes Head Start)	674
Child Care Center Average Daily Participation of Children (Includes Head Start)	34,389
Change in Center Daily Participation in Last 10 Years	7.6%
Federal Funding for CACFP	\$40,132,024
The Emergency Food Assistance Program (TEFAP) (FY 2007)	
Federal Entitlement Funding	\$2,602,776
Federal Bonus Commodity Funding	\$950,508
Administrative Funding	\$1,201,368
Commodity Supplemental Food Program (CSFP) (FY 2007)	
Average Monthly Participation	14,355
Federal Funding for CSFP	\$3,572,979

State Economic Security Policies

Minimum Wage (2007)	
State Minimum Wage	\$6.75
Earned Income Tax Credit (EITC) (2007)	
State EITC (Yes/No)	No
Refundable (Yes/No)	No
Temporary Assistance to Needy Families (TANF) (FY 2006)	
Average Monthly Participation (FY 2006)	87,374
Adults	21,710
Children	65,664
Maximum Monthly Benefit per 3-Person Family (FY 2005)	\$347
Federal and State Funding for Cash Assistance	\$137,114,201

**Prevalence of Household-Level Food Insecurity and Very Low Food Security by
State 2005-2007 (Average)**

State	Food Insecurity (Low or Very Low Food Security)		Very Low Food Security	
	Percent	Rank	Percent	Rank
Alabama	11.9	19	4.3	22
Alaska	12.4	15	4.8	11
Arizona	12.0	18	4.6	14
Arkansas	14.4	4	4.9	8
California	10.2	29	3.5	33
Colorado	11.0	25	4.6	14
Connecticut	8.8	43	3.2	45
Delaware	8.6	45	3.3	42
District of Columbia	11.9	19	3.8	28
Florida	9.0	41	3.4	37
Georgia	13.0	7	5.0	5
Hawaii	8.4	47	2.9	48
Idaho	11.4	24	3.4	37
Illinois	9.5	37	3.5	33
Indiana	10.2	29	3.6	31
Iowa	11.7	22	4.5	18
Kansas	13.0	7	4.7	12
Kentucky	12.7	12	4.5	18
Louisiana	11.7	22	4.6	14
Maine	13.3	5	5.9	2
Maryland	8.6	45	3.4	37
Massachusetts	8.0	48	3.2	45
Michigan	11.8	21	4.5	18
Minnesota	9.5	37	3.7	30
Mississippi	17.4	1	7.0	1
Missouri	12.9	10	4.9	8
Montana	9.5	37	3.8	28
Nebraska	9.5	37	3.4	37
Nevada	10.4	28	4.0	24
New Hampshire	7.7	50	2.3	50
New Jersey	8.8	43	2.7	49
New Mexico	15.0	2	4.9	8
New York	9.9	34	3.3	42
North Carolina	12.6	13	4.0	24
North Dakota	6.5	51	2.2	51
Ohio	12.2	17	4.5	18
Oklahoma	13.0	7	4.7	12
Oregon	12.4	15	5.5	3
Pennsylvania	10.0	33	3.4	37
Rhode Island	10.9	26	3.9	27
South Carolina	13.1	6	5.0	5
South Dakota	9.7	36	3.6	31
Tennessee	12.8	11	4.2	23
Texas	14.8	3	5.0	5
Utah	12.5	14	5.1	4
Vermont	10.2	29	4.6	14
Virginia	8.0	48	3.0	47
Washington	10.1	32	3.5	33
West Virginia	10.7	27	4.0	24
Wisconsin	9.0	41	3.5	33
Wyoming	9.9	34	3.3	42

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Need grows, but not funds

Emergency aid for the poor in Coconino County isn't keeping pace with rising demand.

By LARRY HENDRICKS

Assistant City Editor

Thursday, October 23, 2008

As the local economy worsens, business at agencies that tend to the social welfare safety net is starting to pick up.

Unfortunately, funding isn't. "My concern is this is only the beginning ... because our economy's challenged," said Verna Fischer, director for Coconino County Community Services.

Fischer told county supervisors Tuesday the number of residents seeking help grew during the last three months compared with a similar period in 2007.

But the local budget to provide emergency rental and utility help to qualified residents has generally remained stable, Fischer said.

In her report to county officials, Fischer stated, "So while our funding is relatively stable with some minor increases, we are seeing a marked increase in demand along with a higher cost for services. Consequently, more people requesting services are being turned away and left with no other option for assistance."

She added that sizable, one-time increases from the federal and state governments for shelter and utility funds will help this coming fiscal year ending June 30, 2009.

The department helps people who are at 150 percent or less of the national poverty level. That means that a family of four must make less than \$31,800 a year.

Fischer added that according to the 2000 Census, 17 percent of the county's population were considered living at the poverty level -- about 22,500 residents.

In providing one-time shelter or utility help, the department's aim is to stabilize families and get them back on their feet.

In July, August and September of 2007, the department helped 847 qualified residents at a cost of \$160,330.

In the same three months of 2008, the department spent roughly the same amount -- \$161,533 -- but helped just 744 residents.

In all, Community Services helped 1,665 people in fiscal year 2008 and estimates it will help 1,920 in FY2009.

Community Services offers about 80 percent of total social services for the county, Fischer said. Agencies like Catholic Charities and St. Vincent de Paul offer the other 20 percent.

UTILITIES, RENTS INCREASE

Earlier this month, UniSource officials warned residents that gas bills for heating will be higher this year over last year -- by as much as 8 to 16 percent.

In her report, Fischer stated, "We are seeing clients who are still paying off last winter's utility bills."

Traditionally, the department has been allowed to help qualified applicants with \$400 one time a year to help with utility payments. But the department is starting to see past-due bills of \$800 and more and are seeking to increase the amount.

Part of the reason for the increased bills, particularly for residents at the poverty level, is they live in homes that have substandard weatherization, she said. Also, when residents have their services suspended, utility companies will often require higher deposits for service restoration.

That increased support of utility payments will primarily come through an additional \$200,000 in federal aid aimed at utility support for the 2009 fiscal year, she told the supervisors.

As for apartment rents, Fischer told the board that a survey made by Community Services revealed that rent for a studio apartment in Flagstaff rose an average of 19 percent between 2005 and 2008, from an average of \$519 a month to \$639.

Fischer stated in her report that a study made by the Flagstaff Justice Court revealed 461 eviction actions filed with the court in 2007. So far in 2008, there have been 517 filed, which represents about a 12 percent increase.

And people who have been evicted or have had trouble paying rent in the past are extremely limited where they can find a place to stay, because larger apartment complexes will not accept them.

Concluded Fischer's report: "Our purpose in coming before you with this issue is just to inform you of the crisis we are seeing in the lives of lower-income citizens. We anticipate you may be hearing from constituents in increasing

Numbers

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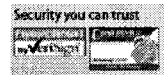
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Cynthia Zwick

From: Betsy2@Tep.com
Sent: Friday, June 22, 2007 11:12 AM
To: Cynthia Zwick
Subject: FW: Cash Payment Locations

Yes it does - I should have made that more clear. We're committed to finding a new, better, verifiable cash payment option for ALL of our customers - TEP, UNS Gas and UNS Electric. The logistics of effecting the change may vary from territory to territory, but we're hoping to settle on a uniform solution for all three service territories. Sorry for any confusion about that.

Joe Salkowski
Director of Corporate Communications
UniSource Energy Corporation
(520) 884-3625
JSalkowski@uns.com

-----Original Message-----

From: Cynthia Zwick [mailto:czwick@azcaa.org]
Sent: Friday, June 22, 2007 7:15 AM
To: Bolding, Betsy
Subject: RE: Cash Payment Locations

Betsy, it appears that this does not include UES Gas and Electric. Is that correct and do you have any idea whether that's in the pipeline as well?

From: Betsy2@Tep.com [mailto:Betsy2@Tep.com]
Sent: Thursday, June 21, 2007 4:59 PM
To: Cynthia Zwick
Subject: FW: Cash Payment Locations

Good afternoon, Cynthia. Please note the message below and share it with your members:

Betsy Bolding
Tucson Electric Power
520-884-3677
betsy2@tep.com
Think Solar with TEP

-----Original Message-----

From: Salkowski, Joe
Sent: Thursday, June 21, 2007 4:57 PM
To: Bolding, Betsy
Subject: Cash Payment Locations

I wanted to confirm for you that TEP is committed to ending its contractual bill payment relationship with check cashing centers that offer payday loans. We are currently looking for another convenient way for our customers to make verifiable cash payments to TEP. As soon as we can set up a workable alternative, we will begin promoting

6/22/2007

that new option and stop referring customers to facilities that offer payday loans.

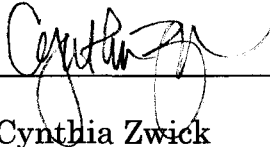
Thanks very much for your help in making this happen.

Joe Salkowski
Director of Corporate Communications
UniSource Energy Corporation
(520) 884-3625
JSalkowski@uns.com

6/22/2007

RESPECTFULLY SUBMITTED this 8th day of June, 2009.

BY



Cynthia Zwick
1940 E. Luke Avenue
Phoenix, AZ 85016

Original and 13 copies hand delivered June 8, 2009 to:
Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

Copy of the foregoing hand-delivered/mailed this
8th day of June, 2009 to:

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